

Protecting Consumers

This Administration has undertaken a number of initiatives to protect California consumers from various types of consumer-related crime and fraud, invasion of privacy, breach of security, and predatory lending practices; and has reformed managed health care. The Administration continues to demonstrate its commitment to protect California consumers by providing resources in the areas discussed below.

Consumer Privacy and Identity Protection

OFFICE OF CRIMINAL JUSTICE PLANNING

Identity Theft—The Budget continues to provide \$3.3 million to the five state task forces funded through the Office of Criminal Justice Planning’s High Technology Theft Apprehension and Prosecution Program. This funding is used to train law enforcement officers and agents on identity theft, develop protocols for handling identity theft crimes, and enhance interagency coordination efforts.

DEPARTMENT OF CONSUMER AFFAIRS

Office of Privacy Protection—The Budget includes \$1.1 million for the Office of Privacy Protection, which serves as a clearinghouse for privacy related consumer complaints, education, and information. The Office coordinates with local, state, and federal law enforcement efforts related to identity theft and privacy-related criminal investigations, and operates telephone and website resource and referral services.

DEPARTMENT OF JUSTICE

Telemarketers’ “Do Not Call” List—Pursuant to the enactment of Chapter 695, Statutes of 2001, the Department of Justice will begin to create and maintain a “Do Not Call” list of telephone subscribers who do not wish to receive unsolicited and unwanted calls from telephone solicitors. Specifically, this program will allow California consumers to remove their phone numbers from call lists, providing protection to those consumers who may be vulnerable to unscrupulous sales calls and ensuring privacy for California’s citizens.



Predatory Financial Practices

Predatory investment, financing, and lending practices damage investors and borrowers, many of whom are targeted because they are uninformed. These practices also adversely affect the ability of California businesses to raise capital by diverting investors' money from legitimate investments or by siphoning off borrowers' money through inflated fees or unnecessary financing. Chapter 731, Statutes of 2001, prohibits predatory lending practices and gives the departments that regulate lending activities effective enforcement powers.

DEPARTMENT OF CORPORATIONS

Statewide Outreach on Predatory Practices (STOPP)—The Budget proposes \$10 million and 17.3 positions for the Department of Corporations to increase public awareness and call-center assistance, and for additional investigation and enforcement. The Department will conduct a statewide media campaign that helps seniors, minorities, and other potentially vulnerable populations protect themselves from predatory financing, lending, and investments. This augmentation will also support a one-stop contact center to improve the Department's communication with both the public and regulated businesses on these issues. Finally, STOPP will increase investigation and enforcement activities with respect to mortgage bankers, finance lenders, and securities firms to respond to predatory activities identified through the outreach and education campaign.

DEPARTMENT OF FINANCIAL INSTITUTIONS

Compliance Monitoring—The Budget proposes \$310,000 and three positions to allow the Department of Financial Institutions to monitor the compliance of banks, credit unions, and other lenders with the provisions prohibiting predatory lending under Chapter 731. Through comprehensive on-site examinations, the Department will identify illegal activities and take appropriate enforcement action.

DEPARTMENT OF REAL ESTATE

The Budget includes \$224,000 and three positions for the Department of Real Estate to investigate and take enforcement actions against predatory lending activities of real estate licensees under Chapter 731.



DEPARTMENT OF JUSTICE

The Budget includes \$606,000 for the Department of Justice to prevent predatory lending fraud, and ensure California consumers are protected against consumer fraud and deceptive and unfair business practices. Specifically, the Department will investigate and prosecute lenders in the sub-prime lending market who use abusive and unlawful tactics to induce high-risk borrowers or low income consumers to take out high cost loans on their homes. These tactics include false advertising of low interest rate loans, incorporating optional insurance fees into the loan without the consumer's knowledge, and misrepresenting high loan fees that are included in the loan.

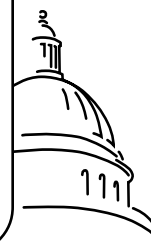
Managed Health Care Reform**DEPARTMENT OF MANAGED HEALTH CARE**

Since its creation as one of this administration's major health care reforms of 2000, the Department of Managed Health Care has spent \$98.2 million on consumer protection activities. On an average annual basis, this is a 111 percent increase over funding for managed health care oversight when it was a program within the Department of Corporations. Including new funding proposed for 2002-03, major changes since 1999-00 include addition of the Office of Patient Advocate and the health maintenance organization (HMO) report card (\$2 million), creation of the independent medical review process (\$3.7 million), expanded enforcement staffing (\$1.1 million), and expansion of financial monitoring of HMOs (\$834,000).

HMO Report Card—The Budget includes an augmentation of \$500,000 for the annual HMO Report Card published by the Office of Patient Advocate. The Office will expand reporting to medical group performance, add cultural/linguistic indicators and more language interaction, analyze HMO complaint data, and study the feasibility of including information on the quality of care provided under the Medical and Healthy Families programs.

Financial Exams—The Budget proposes \$234,000 to increase the frequency of routine exams for specialized health care plans from five to three years, in order to identify financially troubled firms more quickly and take corrective action.

The Department of Managed Health Care has responsibility for implementing a number of significant health care reform bills enacted in recent years, including the following:



- ❖ **Independent Review of Coverage**—Chapter 533, Statutes of 1999 (AB 55), guarantees California patients the right to an external review of a plan's health care coverage decision by an independent group of medical experts.
- ❖ **Limited Right to Sue for Damages**—Chapter 536, Statutes of 1999 (SB 21), gives patients the right to hold health care service plans accountable by seeking punitive damages in a court of law if and when a plan causes substantial harm to the patient and after using the independent review provided by Chapter 533.
- ❖ **Second Opinion**—Chapter 531, Statutes of 1999 (AB 12), requires health care service plans to provide a second medical opinion upon request by the patient.
- ❖ **Cancer Screening**—Chapter 543, Statutes of 1999 (SB 205), affirms the importance of cancer screening tests for the purpose of early detection, and directs health care service plans and disability insurers to cover medically accepted cancer screening tests for any contract or policy issued, amended, or renewed on or after January 1, 2000.
- ❖ **Mental Health Parity**—Chapter 534, Statutes of 1999 (AB 88), requires health care service plan contracts to cover the diagnosis and medically necessary treatment of severe mental illnesses at any age and serious emotional disturbances of a child.
- ❖ **Mental Health Treatment Continuity of Care**—Chapter 531, Statutes of 2001 (AB 1503), directs all HMOs and health insurance plans to file a written policy with the Department of Managed Health Care describing how the plan would facilitate continuity of care for a new enrollee with an acute or chronic mental health condition who lost their provider when their employer changed HMOs. Chapter 531 requires the plans to allow enrollees to continue their treatment with their former provider during a reasonable transition period.
- ❖ **Hospice Care**—Chapter 528, Statutes of 1999 (AB 892), adds hospice care to the basic health care services required to be provided by health care service plans.
- ❖ **Off-Label Use of Drugs**—Chapter 852, Statutes of 2000 (SB 2046), prohibits plans and insurers from excluding coverage for an off-label use of a drug for a chronic and seriously debilitating condition.

